

Memorandum

To: Lisa Briggs
From: James Ingram
Re: A Charter-Mandated Balanced Budget
Date: August 23, 2007

At the last meeting of the Financial Reform Subcommittee, members and staff were asked to review the examples of several examples of balanced budget language and, if possible, make recommendations for a proposed balanced budget requirement to be considered by the subcommittee. Feedback received from the Office of the Independent Budget Analyst's (IBA) was received and reflected many of the same concerns members of the Mayor's staff had expressed. Specifically, the IBA's Office has indicated that some of the language that was originally recommended on the basis on the New York City and San Francisco processes "goes far beyond the balanced budget issue and gets deep into process, authority levels, reserves policies, etc" (August 21, 2007 email from Andrea Tevlin re: "Comments on Balanced Budget Memo"). The IBA has indicated that it may be preferable to adopt some of the language within some of these city charters, but not to go into such detail. Specifically, her email indicated that there is proposed language

...imbedded in the memo which may be worth considering.

The San Francisco Model on page 1 states:

"The annual proposed budget and appropriations ordinances shall be balanced so that the proposed expenditures of each fund do not exceed the estimated revenues and surpluses of that fund."

The New York City Model on page 6 states:

"The operations of the City shall be such that, at the end of the fiscal year, the results thereof shall not show a deficit when reported in accordance with generally accepted accounting principles."

This recommendation makes sense and tracks the comments received from members of the Mayor's staff that a good starting point is to "begin with the basics and have the Subcommittee build upon that." (August 22, 2007 telephone conversation with Lisa Briggs re: materials for August 24, 2007 meeting). Given these concerns, staff recommends examination of the San Francisco and New York City models as a starting point for the discussion on balanced budget. Specifically, staff would recommend the New York City excerpt as a basis from which to consider Charter language. The New York City language is flexible because it allows change along with alterations in GAAP. Secondly, the New York model requires year-end balance, which is a more rigid standard than mandating that budgets be balanced when recommended by the Mayor and adopted by the Council. If the Subcommittee disagrees with this assessment, staff will assist with preparing more detailed Charter language.